



**CITY YEAR, INC.**

Independent Auditors' Reports as Required by Title 2 U.S. Code of  
Federal Regulations Part 200, *Uniform Administrative Requirements, Cost  
Principles and Audit Requirements for Federal Awards* and  
*Government Auditing Standards* and Related Information

Year Ended June 30, 2022

(With Independent Auditors' Reports Thereon)

**CITY YEAR, INC.**

Independent Auditors' Reports as Required by Title 2 U.S. Code of  
Federal Regulations Part 200, *Uniform Administrative Requirements, Cost  
Principles and Audit Requirements for Federal Awards and  
Government Auditing Standards* and Related Information

Year ended June 30, 2022

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KPMG LLP  
Two Financial Center  
60 South Street  
Boston, MA 02111

Exhibit I

## **Independent Auditors' Report on Compliance for the Major Program and Report on Internal Control over Compliance Required by Uniform Guidance**

The Board of Trustees  
City Year, Inc.:

### **Report on Compliance for the Major Federal Program**

#### *Opinion on the Major Federal Program*

We have audited City Year, Inc.'s (City Year's) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on City Year's major federal program for the year ended June 30, 2022. City Year's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, City Year complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2022.

#### *Basis for Opinion on the Major Federal Program*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City Year and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of City Year's compliance with the compliance requirements referred to above.

#### *Responsibilities of Management for Compliance*

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City Year's federal program.

#### *Auditors' Responsibilities for the Audit of Compliance*

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City Year's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal



## Exhibit I

control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City Year's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City Year's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City Year's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City Year's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control over Compliance**

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.



**Exhibit I**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*KPMG LLP*

Boston, Massachusetts  
December 23, 2022



KPMG LLP  
Two Financial Center  
60 South Street  
Boston, MA 02111

**Exhibit II**

**Independent Auditors' Report on Internal Control Over Financial Reporting and  
on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance With *Government Auditing Standards***

The Board of Trustees  
City Year, Inc.:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of City Year, Inc. (City Year), which comprise City Year's statement of financial position as of June 30, 2022, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2022.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered City Year's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City Year's internal control. Accordingly, we do not express an opinion on the effectiveness of City Year's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether City Year's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Boston, Massachusetts  
December 23, 2022

**CITY YEAR, INC.**  
 Schedule of Findings and Questioned Costs  
 Year ended June 30, 2022

**(1) Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued on whether financial statements were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None reported

Noncompliance material to the financial statements noted?

\_\_\_\_\_ Yes   X   No

*Federal Award*

Internal control over major program:

- Material weakness(es) identified? \_\_\_\_\_ Yes   X   No
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? \_\_\_\_\_ Yes   X   None reported

Type of auditors' report issued on compliance for major program:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of The Uniform Guidance?

\_\_\_\_\_ Yes   X   No

Identification of major programs:

	<b>Assistance listing number</b>
AmeriCorps Program	94.006

Dollar threshold used to distinguish between Type A and Type B programs:

\$1,484,381

Auditee qualified as low-risk auditee:

\_\_\_\_\_ Yes   X   No

**CITY YEAR, INC.**

Schedule of Findings and Questioned Costs

Year ended June 30, 2022

**(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

None.

**(3) Findings and Questioned Costs Relating to Federal Awards**

None.

**CITY YEAR, INC.**

Financial Statements

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)



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**Exhibit IV**

## **Independent Auditors' Report**

The Board of Trustees  
City Year, Inc.:

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of City Year, Inc. (City Year), which comprise the statements of financial position as of June 30, 2022 and 2021, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of City Year as of June 30, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City Year and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City Year's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.



## Exhibit IV

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City Year's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City Year's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

### *Other Matter*

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2022 on our consideration of City Year's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City Year's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in



**Exhibit IV**

accordance with *Government Auditing Standards* in considering City Year's internal control over financial reporting and compliance.

KPMG LLP

Boston, Massachusetts  
December 23, 2022

**CITY YEAR, INC.**

Statements of Financial Position

June 30, 2022 and 2021

<b>Assets</b>	<b>2022</b>	<b>2021</b>
Cash and equivalents	\$ 48,496,706	35,189,579
Government grants receivable, net	18,041,762	15,766,175
Contributions receivable, net (note 9)	—	183,750
Other assets	3,319,098	3,941,042
Restricted cash (note 13)	169,801	169,801
Investments, at fair value (note 7)	20,991,074	24,708,415
Right-of-use asset	16,588,586	14,717,725
Property and equipment, net (note 10)	14,986,354	14,453,399
Total assets	<u>\$ 122,593,381</u>	<u>109,129,886</u>
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued expenses	\$ 6,015,909	4,202,025
Accrued payroll and related expenses	7,344,874	9,452,885
Lease liability (note 12)	17,729,708	15,770,364
Interest rate swaps (note 14)	75,322	434,558
Bonds payable (note 14)	5,895,000	6,160,000
Total liabilities	<u>37,060,813</u>	<u>36,019,832</u>
Commitments and contingencies (notes 11, 12, and 14)		
Net assets:		
Without donor restrictions	66,992,653	46,083,525
With donor restrictions (note 4)	18,539,915	27,026,529
Total net assets	<u>85,532,568</u>	<u>73,110,054</u>
Total liabilities and net assets	<u>\$ 122,593,381</u>	<u>109,129,886</u>

See accompanying notes to financial statements.

**CITY YEAR, INC.**

Statements of Activities

Years ended June 30, 2022 and 2021

	2022	2021
Changes in net assets without donor restrictions:		
Operations:		
Revenues and other support:		
Contributions of cash and other financial assets	\$ 88,304,841	67,554,327
Contributions of nonfinancial assets (note 6)	287,794	845,702
Federal grants – Corporation for National and Community Service (note 11)	48,182,850	47,737,956
School district and other government grants	37,761,753	37,277,964
Investment return utilized for operations (note 8)	845,020	728,287
Other income	193,400	213,097
Board designated surplus funds authorized for operations	5,519,000	9,040,829
Net assets released from restrictions (note 5)	16,805,556	12,445,946
Total operating revenues and other support	197,900,214	175,844,108
Expenses (note 6):		
Program services	138,331,472	141,582,759
Supporting services:		
Organizational support	15,535,725	13,970,155
Fundraising	15,406,644	14,840,099
Total expenses	169,273,841	170,393,013
Change in net assets without donor restrictions from operations	28,626,373	5,451,095
Nonoperating transactions:		
Board designated surplus funds authorized for operations	(5,519,000)	(9,040,829)
Investment return on endowments (note 7)	(2,154,093)	3,258,186
Investment return utilized for operations (note 8)	(542,478)	(354,048)
Unrealized net (loss)/gain on changes in fair value of interest-rate swaps (note 14)	359,236	212,404
Change in net assets without donor restrictions from nonoperating transactions	(7,856,335)	(5,924,287)
Change in net assets without donor restrictions	20,770,038	(473,192)
Changes in net assets with donor restrictions:		
Contributions of cash and other financial assets	10,444,655	13,156,762
Investment return on endowments (note 7)	(1,684,081)	2,814,543
Investment return utilized for operations (note 8)	(302,542)	(374,239)
Net assets released from restrictions (note 5)	(16,805,556)	(12,445,946)
Change in net assets with donor restrictions	(8,347,524)	3,151,120
Change in net assets	12,422,514	2,677,928
Net assets, beginning of year	73,110,054	70,432,126
Net assets, end of year	\$ 85,532,568	73,110,054

See accompanying notes to financial statements.

**CITY YEAR, INC.**

Statement of Functional Expenses

Year ended June 30, 2022

	<u>Program services</u>	<u>Organizational support</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses:				
Staff salaries	\$ 57,917,084	8,964,424	9,879,464	76,760,972
Corp member stipends	39,872,087	—	—	39,872,087
Payroll taxes and employee benefits	18,655,716	1,266,870	1,940,305	21,862,891
	<u>116,444,887</u>	<u>10,231,294</u>	<u>11,819,769</u>	<u>138,495,950</u>
Other expenses:				
Consulting and professional services	3,838,193	1,741,004	1,068,008	6,647,205
Transportation, travel, and lodging	1,476,360	36,112	69,681	1,582,153
Conferences and training seminars	250,766	19,734	12,664	283,164
Advertising and recruiting	4,149,110	186,475	79,615	4,415,200
Materials and supplies	3,096,347	55,692	1,237,270	4,389,309
Information technology	1,375,818	2,132,568	68,829	3,577,215
Telecommunications	527,657	34,035	19,601	581,293
Dues and fees	536,011	235,662	136,153	907,826
Occupancy and insurance	5,686,903	454,950	21,161	6,163,014
Event venue expense	275,000	3,070	869,948	1,148,018
Interest	96,336	133,035	—	229,371
Depreciation and amortization	578,084	272,094	3,945	854,123
	<u>21,886,585</u>	<u>5,304,431</u>	<u>3,586,875</u>	<u>30,777,891</u>
Total expenses	<u>\$ 138,331,472</u>	<u>15,535,725</u>	<u>15,406,644</u>	<u>169,273,841</u>

See accompanying notes to financial statements.

**CITY YEAR, INC.**

Statement of Functional Expenses

Year ended June 30, 2021

	<u>Program services</u>	<u>Organizational support</u>	<u>Fundraising</u>	<u>Total</u>
Personnel expenses:				
Staff salaries	\$ 56,355,576	6,897,397	11,190,615	74,443,588
Corp member stipends	47,389,624	—	—	47,389,624
Payroll taxes and employee benefits	18,888,398	1,240,217	2,113,762	22,242,377
	<u>122,633,598</u>	<u>8,137,614</u>	<u>13,304,377</u>	<u>144,075,589</u>
Other expenses:				
Consulting and professional services	4,414,046	2,384,241	542,107	7,340,394
Transportation, travel, and lodging	901,325	9,734	37,492	948,551
Conferences and training seminars	194,255	32,255	21,740	248,250
Advertising and recruiting	1,579,586	5,522	25,156	1,610,264
Materials and supplies	2,927,783	101,559	551,753	3,581,095
Information technology	1,484,380	1,964,532	49,855	3,498,767
Telecommunications	535,697	153,740	18,570	708,007
Dues and fees	571,099	253,515	160,454	985,068
Occupancy and insurance	5,656,113	548,089	21,370	6,225,572
Event venue expense	19,511	—	87,259	106,770
Interest	101,167	132,722	6,985	240,874
Depreciation and amortization	564,199	246,632	12,981	823,812
	<u>18,949,161</u>	<u>5,832,541</u>	<u>1,535,722</u>	<u>26,317,424</u>
Total expenses	<u>\$ 141,582,759</u>	<u>13,970,155</u>	<u>14,840,099</u>	<u>170,393,013</u>

See accompanying notes to financial statements.

**CITY YEAR, INC.**

Statements of Cash Flows

Years ended June 30, 2022 and 2021

	<b>2022</b>	<b>2021</b>
Cash flows from operating activities:		
Change in net assets	\$ 12,422,514	2,677,928
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	854,123	823,812
Realized and unrealized net loss (gain) on investments	3,838,174	(6,072,729)
Changes in fair value of interest-rate swaps	(359,236)	(212,404)
Contributions restricted for long-term investment	(37,500)	(87,500)
Changes in operating assets and liabilities:		
Government grants receivable, net	(2,275,587)	(1,976,290)
Contributions receivable, net	183,750	1,655,547
Other assets	621,944	(2,181,445)
Change in operating lease liabilities	88,483	84,560
Accounts payable and accrued expenses	1,813,884	2,305,443
Accrued payroll and related expenses	(2,108,011)	2,225,288
Net cash provided by (used in) operating activities	15,042,538	(757,790)
Cash flows from investing activities:		
Purchases of investments	(546,264)	(3,622,835)
Sales of investments	425,431	3,394,285
Purchases of equipment	(1,387,078)	(600,595)
Net cash used in investing activities	(1,507,911)	(829,145)
Cash flows from financing activities:		
Repayments of bond payable	(265,000)	(260,000)
Contributions restricted for long-term investment	37,500	87,500
Net cash used in financing activities	(227,500)	(172,500)
Change in cash and equivalents and restricted cash	13,307,127	(1,759,435)
Cash and equivalents and restricted cash, beginning of year	35,359,380	37,118,815
Cash and equivalents and restricted cash, end of year	\$ 48,666,507	35,359,380
Supplemental data:		
Cash paid for interest	\$ 231,811	241,650
Non-cash for lease liabilities arising from obtaining ROU assets	6,018,228	5,185,144

See accompanying notes to financial statements.

## CITY YEAR, INC.

### Notes to Financial Statements

June 30, 2022 and 2021

#### (1) Organization Background and History

City Year Inc. (the Organization or City Year) was founded in Boston, Massachusetts in 1988 and now operates in twenty-nine- locations across the United States, including Columbia, SC, Providence, RI, Chicago, IL, Columbus, OH, San Jose, CA, San Antonio, TX, Cleveland, OH, Philadelphia, PA, Seattle, WA, Detroit, MI, Washington, DC, Manchester, NH, New York City, NY, Little Rock, AR, Baton Rouge, LA, New Orleans, LA, Los Angeles, CA, Miami, FL, Milwaukee, WI, Denver, CO, Orlando, FL, Sacramento, CA, Jacksonville, FL, Tulsa, OK, Dallas, TX, Kansas City, MO, Memphis, TN and Buffalo, NY. In 2005, City Year established its first international program, City Year South Africa Citizen Service Organization, in Johannesburg, South Africa and in 2009, City Year collaborated with an organization in the United Kingdom to establish a second international City Year program with operations in London, Manchester, and Birmingham.

City Year's vision is to help students and schools succeed, while preparing the next generation of civically engaged leaders who can work across lines of difference. Partnering with teachers, diverse teams of City Year AmeriCorps members cultivate learning environments where all students can build on their strengths, fully engage in their learning, and thrive. City Year supports this vision in three primary ways:

- (a) The City Year youth service corps annually unites young people age 17–25 for a year of full-time community service and leadership development at locations across the country. As tutors, mentors and role models, they help students and schools succeed, and embody the power of national service to address pressing domestic issues.
- (b) City Year seeks to inspire citizen service with high impact- community events that engage people and institutions through major physical service projects – such as renovating schools, refurbishing playgrounds and painting over graffiti with murals.
- (c) City Year promotes citizen service and builds awareness of and support for increasing service opportunities by engaging policy makers and convening service organizations.

#### (2) Summary of Significant Accounting Policies

##### (a) Basis of Presentation

The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP).

Net assets and revenues are classified based on the existence or absence of donor imposed- restrictions. Accordingly, net assets of the Organization and changes therein are classified and reported as follows:

*Without Donor Restrictions* – Net assets not subject to donor imposed- stipulations but which may be designated for specific purposes by the Organization's Trustees.

*With Donor Restrictions* – Net assets subject to donor imposed- stipulations that expire with the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor imposed- restrictions, including time restrictions. Expenses are reported as

## CITY YEAR, INC.

### Notes to Financial Statements

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decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restriction unless their use is restricted by explicit donor stipulations or law. Expirations of donor restrictions on net assets are reported as reclassifications between the classes of net assets.

Expirations of donor restrictions occur when donor imposed- stipulated purposes have been accomplished and/or the stipulated time period has elapsed. If an expense is incurred for a purpose for which both net assets without donor restriction and net assets with donor restrictions are available, a donor imposed- restriction is fulfilled to the extent of the expense incurred unless the expense is incurred for a purpose that is directly attributable to another specific external source of revenue.

The endowment component classified as net assets without donor restrictions is comprised of amounts designated by the Board to function as endowments which amount to \$11,780,978 and \$13,549,196 as of June 30, 2022 and 2021, respectively.

#### **(b) Statement of Activities**

The statement of activities reports all changes in net assets, including changes in net assets without donor restrictions from operating and nonoperating transactions. Operating revenues consist of those items attributable to City Year's ongoing service efforts. Contributions without donor restrictions are reported as operating revenues. City Year's spending rule allows for the expenditure of up to 4.5% of the average investment balance of certain qualifying investments for the trailing eight quarters, starting with March 31st of the prior fiscal year, to fund operations. Board designated- surplus funds appropriated for spending by the Board of Trustees are also presented as operating revenue. The amount of board designated- surplus available for appropriations is defined as total net assets without donor restrictions in excess of 10% budgeted expenses for the upcoming fiscal year, less property and equipment net of related debt. For the years ended June 30, 2022 and 2021, City Year authorized \$5,519,000 and \$9,040,829, respectively, for operations. The balance of board designated surplus available for appropriation as of June 30, 2022 and 2021 was \$20,833,579 and \$16,335,633, respectively for the 29 City Year locations. With City Year Headquarters included, the balance of board designated surplus available for appropriation as of June 30, 2022 and 2021 was \$32,579,085 and \$11,905,544, respectively.

The Organization follows the provisions of ASU No. 2014-09, *Revenue from Contracts with Customers* (Topic 606), which requires an entity to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects consideration to which the entity expects to be entitled in exchange for those goods or services. Additionally, the Organization follows the provisions of ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (ASU 2018-08), which provides guidance as to whether the entity should account for a grant (or similar transaction) as a contribution or as an exchange transaction. A summary of the Organization's specific revenue recognition practices follows:

- Grants awarded by federal and other sponsors, which generally are considered nonexchange transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred or other conditions under the agreements are met. The Organization has elected the simultaneous release policy available under ASU 2018-08, which allows a not-for-profit-- organization to recognize a restricted contribution directly in net assets

## CITY YEAR, INC.

### Notes to Financial Statements

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without donor restrictions if the restriction is met in the same period that the revenue is recognized. Payments received in advance of expenditures are recorded as deferred revenue until expended.

- Revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which we expect to be entitled in exchange for those good or services (i.e. the transaction price). Services provided under school contracts are provided during the program year, which generally aligns with the Organization's fiscal year.
- Unconditional contributions, including unconditional promises to give, are recognized at fair value and increase net assets in the period received. Written promises to give that are scheduled to be received after the balance sheet date are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purpose or time restrictions are met. Promises to give subject to donor imposed- stipulations that the corpus be maintained permanently are recognized as increases in net assets with donor restrictions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at rates commensurate with the estimated risk of receipt of the pledge. Amortization of the discount is recorded as additional contribution revenue in the appropriate net asset category. Contributions of assets other than cash are recorded at their estimated fair value.
- Dividends, interest, and net unrealized gains (losses) on long term- investments are reported as (1) increases in net assets with donor restrictions if the terms of the contributions required these to be added to principal of gifts to be held in perpetuity; (2) increases (decreases) in net assets with donor restrictions if the terms of the contributions impose restrictions on the use of the income and gains; or (3) increases (decreases) in net assets without donor restrictions in all other cases.

Certain amounts included in operations as defined for purposes of the statements of activities differ from amounts reported as cash flows from operating activities. Investment return in excess of amounts authorized for operations, unrealized net gains or losses from changes in fair value of interest rate swaps, board designated- surplus funds appropriated for spending, and any contributions received for nonoperating purposes are reported as nonoperating items in the statements of activities.

#### **(c) Cash and Cash Equivalents**

For purposes of the statements of cash flows, cash and equivalents consist of cash, money market mutual funds and short term- investments with original maturity dates of three months or less at date of acquisition.

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The following table provides a reconciliation of cash, cash equivalents and restricted cash within the balance sheet that sums to the total of such amounts as shown on the statement of cash flows as of June 30:

	<b>2022</b>	<b>2021</b>
Cash and cash equivalents	\$ 48,496,706	35,189,579
Restricted cash	169,801	169,801
Total cash, cash equivalents and restricted cash	\$ 48,666,507	35,359,380

**(d) Investments**

Investments are reported at fair value. Shares in registered funds are based on published share values reported by the funds.

**(e) Property and Equipment**

Property and equipment are stated at cost, except for donated assets, which are recorded at fair value at the date of gift. Ordinary repairs and maintenance are expensed as incurred. Depreciation and amortization are calculated on a straight-line- basis over the following estimated useful lives:

Building	40 years
Furniture and fixtures	3–15 years
Equipment and software	3–10 years
Leasehold improvements	Shorter of life of lease or improvements

**(f) Leasing**

City Year determines if an arrangement is a lease at inception. Operating leases as a lessee are included in right-of-use assets and lease obligations in the statement of financial position.

Right-of-use assets represent the Organization's right to use an underlying asset for the lease term. Lease obligations represent City Year's liability to make lease payments arising from the lease. Operating lease right-of-use assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate at the commencement date. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease cost for lease payments is recognized on a straight -line basis over the lease term.

**(g) Contributed Goods and Professional Services**

As more fully described in note 6, contributed goods and professional services are reflected as contributions in the accompanying statements of activities at their estimated fair value at the date received or provided.

## CITY YEAR, INC.

### Notes to Financial Statements

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#### **(h) Program Services**

Program services consist of expenses related to operations, education, training, corps member development, new site development, special events, external affairs, and organizational development.

#### **(i) Derivative Instruments**

City Year utilizes interest-rate swap agreements to effectively convert a portion of its long term- variable rate- debt to fixed rates and not for speculative purposes. FASB ASC 815, *Derivatives and Hedging*, requires the swaps' fair value and changes therein to be recognized in the financial statements. Differences between the fixed and variable rates in effect at each interest due date are settled net under each swap, increasing or decreasing interest expense. The net termination value (cost) of each swap is measured at each reporting date and presented as an asset (liability) using techniques such as discounted cash flow analysis and option pricing models that incorporate assumptions about future market interest or exchange rates, as appropriate.

#### **(j) Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the dates of the financial statements and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

#### **(k) Allocations**

The Organization reports expenses by their functional classification. Expenses related directly to a program are charged to that program while indirect expenses are allocated principally on time and effort related to that function.

#### **(l) Tax Status**

The Organization generally does not provide for income taxes since it is a tax-exempt- organization under Section 501(c)(3) of the Internal Revenue Code.

ASC 740, *Income Taxes*, permits an entity to recognize the benefit and requires accrual of an uncertain tax position only when the position is "more likely than not" to be sustained in the event of examination by tax authorities. In evaluating whether a tax position has met the recognition threshold, the Organization must presume that the position will be examined by the appropriate taxing authority that has full knowledge of all relevant information. ASC 740 also provides guidance on the recognition, measurement, and classification of income tax uncertainties, along with any related interest or penalties. Tax positions deemed to meet the "more -likely than -not" threshold are recorded as a tax expense in the current year. There were no uncertain tax positions as of June 30, 2022 and 2021.

#### **(m) Reclassifications**

Certain amounts in prior year have been reclassified to conform to the current year presentation.

**CITY YEAR, INC.**

Notes to Financial Statements

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**(3) Financial Assets and Liquidity Resources**

As of June 30, 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses and scheduled principal payments on debt, were as follows:

	<b>2022</b>	<b>2021</b>
Financial assets:		
Cash and cash equivalents	\$ 44,888,303	33,961,599
Contributions receivable	—	183,750
Government grants receivables due in a year, net	18,041,762	15,766,175
Board designations:		
Future fiscal budgeted endowment payout	1,023,498	845,020
Total financial assets available within one year	\$ 63,953,563	50,756,544

City Year is substantially supported by cost reimbursement grants that require funds to be spent in order to receive payments. City Year's practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due.

**(4) Net Assets with Donor Restrictions**

Net assets with donor restrictions consisted of the following at June 30:

	<b>2022</b>	<b>2021</b>
Time restrictions	\$ 5,896,557	12,824,433
Purpose restrictions:		
School programs and education research	3,433,262	2,849,508
Challenge matching grant	—	123,370
Graduation awards	—	70,000
Endowments:		
School programs	7,037,681	8,518,782
Headquarters initiatives	2,158,877	2,623,972
Graduation awards	13,538	16,464
	\$ 18,539,915	27,026,529

**CITY YEAR, INC.**

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**(5) Net Assets Released from Restrictions**

Net assets released from restrictions consisted of the following for the years ended June 30:

	<b>2022</b>	<b>2021</b>
Expiration of time restrictions	\$ 11,556,503	8,499,968
Satisfaction of purpose restrictions	5,249,053	3,945,978
	<b>\$ 16,805,556</b>	<b>12,445,946</b>

**(6) Contributed Nonfinancial Assets**

For the years ended June 30, 2022 and 2021, contributed nonfinancial assets recognized within the statements of activities included:

	<b>2022</b>	<b>2021</b>
Services	\$ 287,794	845,702

City Year recognized contributed nonfinancial assets within revenue, including contributed services. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributed services recognized comprise professional services from attorneys advising City Year on various administrative legal matters in fiscal 2022 and 2021. Additional services of transportation and consulting were provided in fiscal 2021. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar services.

Contributed Nonfinancial Assets consisted of the following at June 30, 2022:

	<b>Revenue recognized</b>	<b>Revenue programs/activities</b>	<b>Donor restrictions</b>	<b>Valuation techniques and inputs</b>
Services	\$ 287,794	Various Administrative Legal Matters	No associated donor restrictions	Contributed services from attorneys are valued at the estimated fair value based on current rates for similar legal services.

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Notes to Financial Statements

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Contributed Nonfinancial Assets consisted of the following at June 30, 2021:

	<u>Revenue recognized</u>	<u>Revenue programs/activities</u>	<u>Donor restrictions</u>	<u>Valuation techniques and inputs</u>
Services	\$ 584,077	Various Administrative Legal Matters	No associated donor restrictions	Contributed services from attorneys are valued at the estimated fair value based on current rates for similar legal services.
	223,321	Administrative Consulting	No associated donor restrictions	Contributed services from consulting firm are valued at the estimated fair value based on current rates for similar consulting services.
	38,304	Transportation and Travel	No associated donor restrictions	Contributed services from transit company are valued at the estimated fair value based on current rates for similar transportation services.

**(7) Investments**

GAAP establishes a three level- valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy under US GAAP are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Plan has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

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Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table summarizes the classification of the Organization's investments in accordance with the fair value hierarchy as of June 30, 2022 and 2021:

	<b>2022</b>	<b>2021</b>
Exchange Traded / Mutual Funds (Level 1):		
Global equity funds	\$ 7,990,807	10,116,861
Domestic equity fund	9,228,387	10,783,374
Domestic fixed income fund	3,371,592	3,621,895
Money market fund	400,288	186,285
Total investments	\$ 20,991,074	24,708,415

The following are the components of the return on investments for the years ended June 30:

	<b>2022</b>	<b>2021</b>
Dividends and interest	\$ 515,965	442,944
Realized and unrealized net (loss) gain on investments	(4,354,139)	5,629,785
Total return on investments	\$ (3,838,174)	6,072,729

Following is a reconciliation of total investment return to amounts reported in the statements of activities for the years ended June 30:

	<b>2022</b>	<b>2021</b>
Investment return on endowments – board designated	\$ (2,154,093)	3,258,186
Investment return on endowments – donor restricted	(1,684,081)	2,814,543
Total return on investments	\$ (3,838,174)	6,072,729

**(8) Endowment**

City Year's endowment consists of approximately 15 individual funds established for a variety of purposes, including both donor restricted- endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the

**CITY YEAR, INC.**

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Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor imposed- restrictions.

**(a) Interpretation of Relevant Law**

The Board of Trustees of the Organization has interpreted the Uniform Prudent Management of Institutional Funds Act (the Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted- endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Accumulations to the endowment that do not have to be maintained perpetuity remain classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the Organization in a manner consistent with the standard of prudence prescribed by the Act. In accordance with the Act, the Organization considers the following factors in making a determination to appropriate or accumulate donor restricted- endowment funds:

1. The duration and preservation of the fund
2. The purposes of the Organization and the donor restricted- endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Organization
7. The investment policies of the Organization

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Endowment net assets consisted of the following at June 30, 2022:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Historical gift value	\$ —	7,039,255	7,039,255
Appreciation	—	2,170,841	2,170,841
Total donor-restricted endowment funds	—	9,210,096	9,210,096
Board-designated endowment funds	<u>11,780,978</u>	<u>—</u>	<u>11,780,978</u>
Total	<u>\$ 11,780,978</u>	<u>9,210,096</u>	<u>20,991,074</u>

Endowment net assets consisted of the following at June 30, 2021:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Donor-restricted endowment funds:			
Historical gift value	\$ —	6,934,524	6,934,524
Appreciation	—	4,224,695	4,224,695
Total donor-restricted endowment funds	—	11,159,219	11,159,219
Board-designated endowment funds	<u>13,549,196</u>	<u>—</u>	<u>13,549,196</u>
Total	<u>\$ 13,549,196</u>	<u>11,159,219</u>	<u>24,708,415</u>

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Changes in endowment net assets for the year ended June 30, 2022 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2021	\$ 13,549,196	11,159,219	24,708,415
Investment return:			
Interest and dividends	287,752	228,213	515,965
Net appreciation	<u>(2,441,845)</u>	<u>(1,912,294)</u>	<u>(4,354,139)</u>
Total investment return	(2,154,093)	(1,684,081)	(3,838,174)
Transfers in	845,020	—	845,020
Contributions	83,333	37,500	120,833
Endowment return appropriated	<u>(542,478)</u>	<u>(302,542)</u>	<u>(845,020)</u>
Endowment net assets, June 30, 2022	<u>\$ 11,780,978</u>	<u>9,210,096</u>	<u>20,991,074</u>

Changes in endowment net assets for the year ended June 30, 2021 are as follows:

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, June 30, 2020	\$ 9,775,721	8,631,415	18,407,136
Investment return:			
Interest and dividends	239,376	203,568	442,944
Net appreciation	<u>3,018,810</u>	<u>2,610,975</u>	<u>5,629,785</u>
Total investment return	3,258,186	2,814,543	6,072,729
Transfers in	728,287	—	728,287
Contributions	141,050	87,500	228,550
Endowment return appropriated	<u>(354,048)</u>	<u>(374,239)</u>	<u>(728,287)</u>
Endowment net assets, June 30, 2021	<u>\$ 13,549,196</u>	<u>11,159,219</u>	<u>24,708,415</u>

**(b) Funds with Deficiencies**

From time to time, the fair value of assets associated with individual donor restricted- endowment funds may fall below the level that the donor or the Act requires the Organization to retain as a fund of perpetual duration. No deficiencies of this nature were reported in net assets with donor restrictions as of June 30, 2022 and 2021, respectively.

**CITY YEAR, INC.**

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**(c) Return Objectives and Risk Parameters**

The Organization has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted- funds that the organizations must hold in perpetuity or for a donor specified- period as well as board designated- funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of relative benchmarks while assuming a moderate level of investment risk. The Organization expects its endowment funds to provide, over the long term (rolling three – to five year periods) an average annual total return (net of fees), equal to the spending rate plus inflation, defined as the Consumer Price Index. Actual returns in any given year may vary from this amount.

**(d) Strategies Employed for Achieving Objectives**

To satisfy its long term- rate -of -return objectives, the Organization relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Organization targets a diversified asset allocation that places a greater emphasis on investments in equity based- investments to achieve its long term- return objectives within prudent risk constraints.

**(e) Spending Policy and How the Investment Objectives Relate to Spending Policy**

The Organization has a policy of appropriating for distribution each year up to 4.5% of its endowment funds' average fair value over the prior eight quarters through the quarter ending March 31st preceding the fiscal year in which the distribution is planned. The Board of Trustees elected to appropriate distributions for operations of \$845,020 in fiscal 2022 and \$728,287 in fiscal 2021. These amounts are classified as operating revenue without donor restrictions in the statement of activities. In establishing these policies, the Organization considered the long term- expected return on its endowment. Accordingly, the Organization expects the current spending policy to allow its endowment to maintain its purchasing power by growing at a rate equal to planned payouts plus inflation, defined as the Consumer Price Index. Additional real growth will be provided through new gifts and any excess investment return.

**(9) Contributions Receivable**

Contributions receivable consisted of the following at June 30:

	<u>2022</u>	<u>2021</u>
Restricted to future periods	\$ —	195,000

**CITY YEAR, INC.**

Notes to Financial Statements

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Contributions receivable were scheduled to be received as followed as of June 30:

	<b>2022</b>	<b>2021</b>
Due within one year	\$ —	195,000
Less present value discount (ranging from 2.87% to 7.99%) and other allowances	—	(11,250)
	\$ —	183,750

**(10) Property and Equipment**

Property and equipment consisted of the following at June 30:

	<b>2022</b>	<b>2021</b>
Land	\$ 4,884,000	4,884,000
Building	13,988,555	13,382,220
Furniture, fixtures and equipment	4,901,300	4,302,892
IT hardware and IT software	8,196,839	8,023,059
Leasehold improvements	1,969,772	2,135,227
	33,940,466	32,727,398
Less disposals on leasehold improvements	(913,000)	(165,456)
Less accumulated depreciation and amortization	(18,041,112)	(18,108,543)
	\$ 14,986,354	14,453,399

**(11) Federal Grants**

City Year received grant awards from AmeriCorps (formerly the Corporation for National and Community Service) totaling \$56,693,477 and \$48,829,420 for fiscal years 2022 and 2021, respectively. The funds were awarded through the AmeriCorps program State and National administered by AmeriCorps. Funds expended and recognized as revenue for the AmeriCorps program in fiscal year 2022 and 2021 totaled \$48,182,850 and \$47,737,956, respectively. City Year expended and recognized revenue for other federal programs totaling \$443,901 and \$697,564 in fiscal year 2022 and 2021, respectively. The Organization's federal grant programs are subject to financial and compliance audits. In addition, various federal, state, and private funding agencies reserve the right to perform separate program audits. Management does not believe that any potential liability resulting from these audits would have a material effect on the financial position of City Year.

**(12) Leases**

Lease cost for office space was \$4,355,065 and \$4,530,773 for the years ended June 30, 2022 and 2021, respectively, inclusive of certain in-kind arrangements. Lease arrangements with an original term of more than one year expire on various dates through 2028.

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Future minimum lease payments under operating leases as of June 30, 2022 are as follows:

	<b>Amount due</b>
Fiscal years ending June 30:	
2023	\$ 4,269,920
2024	3,929,969
2025	3,492,259
2026	2,505,197
2027	1,814,175
Thereafter	2,454,630
	18,466,150
Less: Amounts representing interest	(736,442)
	<b>\$ 17,729,708</b>

The weighted average remaining lease term on leases commencing on or before June 30 was 60 months and 56 months fiscal years 2022 and 2021, respectively. The weighted average discount rate on leases commencing on or before June 30 was 1.40% and 1.41% for fiscal years 2022 and 2021, respectively. The Organization is also responsible for reimbursing certain real estate taxes and operating costs under certain of the office lease terms.

**(13) Credit Facility**

The Organization has a \$10,000,000 credit facility (the Facility) with Bank of America, N.A. (BoA) maturing on March 10, 2023. The Facility is secured by all assets of the Organization, except for the portion of assets equal to the amount of net assets with donor restriction to be held in perpetuity.

City Year has the option of borrowing at BoA's prime lending rate plus a lender's margin or at the LIBOR rate plus a lender's margin. The lender's margin is adjusted based upon specified compliance levels as determined under City Year's debt service coverage ratio as defined in the Facility. The Facility Line contains certain financial covenants, including a debt service coverage ratio requirement, an annual clean-up period, and a limitation on the amount of the Organization's annual capital expenditures. There were no borrowings under the Facility Line during the years ended June 30, 2022 and 2021.

On February 8, 2017, the Organization has secured from BoA an irrevocable standby letter of credit, for the benefit of the landlord as required security deposit on their New York office facility. The letter of credit expires on March 10, 2023 but may be renewed through December 31, 2027. City Year purchased a certificate of deposit as collateral as required by the Security Agreement with BoA. The certificate of deposit totaling \$169,801 is presented as restricted cash in the accompanying financial statements.

**CITY YEAR, INC.**

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**(14) Long-Term Debt**

**(a) Bonds Payable**

City Year entered into a Loan and Security Agreement, dated May 1, 2013, with Massachusetts Development Finance Agency, Banc of America Public Capital Corp., and Bank of America, N.A. This agreement provided, among other things, for the issuance of Massachusetts Development Finance Agency Revenue Bonds, City Year Issue, Series 2013, in the aggregate principal amount of \$8,100,000. City Year used the proceeds from the issuance of those bonds to refund the outstanding amount of the Variable Rate Demand Revenue Bonds, City Year Issue, Series 2006, issued in the original principal amount of \$9,000,000.

City Year entered into the First Amendment to the Loan and Security Agreement, dated May 1, 2018, with Massachusetts Development Finance Agency, Banc of America Public Capital Corp., and Bank of America, N.A. This amendment provided, among other things, to amend and restate the Series 2013 Bonds. The restated bonds were purchased by Banc of America Public Capital Corp. as a Nonbank qualified tax exempt private placement loan facility, with a put term of five years from the date of closing, May 1, 2018.

The bond matures through July 1, 2036 and bears interest at a tax exempt rate equal to 80% of the 30 -day BBA LIBOR plus the Applicable Margin. The interest rate at June 30, 2022 and 2021 was 1.449% and 0.674%, respectively.

Payment of the principal and interest on the bonds is secured by a mortgage on the real property located at 287 Columbus Avenue, Boston, Massachusetts.

In addition to and in conjunction with the Loan and Security Agreement, City Year entered into a Continuing Covenants Agreement with Banc of America Public Capital Corp., and other related agreements, dated May 7, 2013, and amended May 1, 2018 and March 25, 2021. The agreement contains certain financial covenants, including a ratio requirement, minimum liquidity requirement, and limitations on the amount of annual capital expenditures.

Aggregate scheduled annual principal repayments for bonds payable as of June 30, 2022 were as follows:

2023	\$	280,000
2024		295,000
2025		310,000
2026		325,000
2027		340,000
Thereafter		<u>4,345,000</u>
Total	\$	<u><u>5,895,000</u></u>

**CITY YEAR, INC.**

Notes to Financial Statements

June 30, 2022 and 2021

**(b) Interest Rate Swaps**

City Year has two interest rate swap agreements with BoA to mitigate its exposure to variability in interest payments on the bonds payable. The terms of the swap agreements were as follows at June 30, 2022 and 2021:

Counterparty	Effective date	Expiration date	Remaining notional amount	Swap fixed rate	Liability fair value at June 30	
					2022	2021
Bank of America, N.A.	07/01/06	07/01/26	\$ 1,470,000	4.2100 %	\$ (109,695)	(242,411)
Bank of America, N.A.	05/01/18	07/01/26	4,425,000	2.5540 %	34,373	(192,147)
			<u>\$ 5,895,000</u>		<u>\$ (75,322)</u>	<u>(434,558)</u>

While the swaps' fair values were zero at inception of the agreements, interest rate volatility, remaining outstanding principal, and time to maturity will affect each swap's fair value at subsequent reporting dates. The fair value of the net liability as of June 30, 2022 and 2021 represents the amount City Year would have had to pay BoA to terminate the swaps as of that date. To the extent City Year holds a swap through its expiration date, the swap's fair value will reach zero. Interest payable or receivable under the swaps settles monthly. Because the swap fair values are based predominantly on observable inputs that are corroborated by market data, they are categorized in Level 2 of the fair value hierarchy. Changes in fair value of interest-rate swaps for the period ending June 30, 2022 and 2021 were \$359,236 and \$212,404, respectively.

**(15) Retirement Plans**

The Organization participates in the City Year 401(k) Savings Plan (the Plan), which is a defined contribution plan covering all employees of City Year who have at least six months of service with the Organization. Employer contributions are fully vested when made. Matching contributions are made in an amount equal to 100% of the first 4% of eligible compensation each pay period. Employer matching contributions for the years ended June 30, 2022 and 2021 were \$1,998,516 and \$2,032,866, respectively.

City Year has established an Internal Revenue Code Section 457(b) plan for a limited number of the Organization's top management employees. Under this plan, participating employees can elect to defer compensation within the Internal Revenue Code limits. The Organization will pay the deferred compensation under this Plan upon the employee leaving the Organization or under certain conditions outlined in the Plan. The compensation deferred under this plan is credited with earnings or losses measured by the mirrored rate of return on the investments selected by the participant. The Plan is immaterial to the financial statements.

**(16) Affiliations**

City Year is affiliated with international programs in Johannesburg, South Africa and in London, Manchester, and Birmingham in the United Kingdom which are legally separate from City Year and separately governed. Accordingly, the financial records of the organizations are not consolidated herein.

**CITY YEAR, INC.**

Notes to Financial Statements

June 30, 2022 and 2021

**(17) Subsequent Events**

In connection with the preparation of these financial statements, the Organization evaluated subsequent events after the statement of financial position date of June 30, 2022 through December 23, 2022, which was the date the financial statements were issued. No subsequent events were noted.

**CITY YEAR, INC.**  
Schedule of Expenditures of Federal Awards  
Year ended June 30, 2022

Federal grantor/pass-through program/program title	Assistance listing number	Federal expenditures
Corporation for National and Community Service:		
AmeriCorps Program:		
Direct Funding:		
#21NDFMA001	94.006	\$ 11,956,916
Passed through the Massachusetts Service Alliance		
#21ACFMA0010002 (Competitive)	94.006	5,159,694
Passed through the Pennsylvania Department of Labor & Industry (PennSERVE)		
#21ACBPA0010002 (Competitive)	94.006	3,698,000
Passed through the Ohio Commission on Service and Volunteerism – Serve Ohio		
#21ACCOH0010001 (Columbus)	94.006	1,042,692
#21ACCOH0010003(Cleveland)	94.006	1,271,400
Passed through the Michigan Department of Labor and Economic Opportunity		
#21-MCSC-MACFC-04	94.006	1,426,192
Passed through California Volunteers		
#21ACICA0010009 (LA Competitive)	94.006	4,386,000
#17ESHCA0010003 (Sacramento)	94.006	932,115
Passed through Volunteer NH		
#18ACHNH0010006 (Competitive)	94.006	1,100,960
Passed through Serve DC		
#19ESHDC0010002– Competitive	94.006	2,004,007
Passed through the OneStar National Service Commission – OneStar Foundation		
#21ACGTX0010001 Competitive (San Antonio)	94.006	1,687,033
#20ESHTX0010007 (Dallas)	94.006	789,932
Passed through the United Way Association of South Carolina, South Carolina Commission on National and Community Service		
#21ESHSC0010001 (Columbia)	94.006	306,198
Passed through the Volunteer Louisiana Commission		
#18ACHLA0010002 – Competitive Grant (New Orleans)	94.006	775,024
#21ACGLA0010001 – Competitive Grant (Baton Rouge)	94.006	942,958
Passed through Missouri Community Service Commission		
#20ACHMO0010002 – Competitive Grant	94.006	1,106,402
Passed through the Serve Colorado Governor’s Commission on Community Service		
#18ACHCO0010003	94.006	1,336,700
Passed through the Serve Washington, State of Washington		
#19ESHWAA0010001	94.006	1,255,564
Passed through Florida Commission on Community Service		
#18ACHFL0010007 – Competitive (Miami)	94.006	1,373,735
#21ACHFL0010003 – Competitive (Orlando)	94.006	1,303,252
#21ACHFL0010004 (Jacksonville)	94.006	911,843
Passed through Volunteer Tennessee		
#19ESHTN0010006	94.006	529,340
Passed through New York State Office of Children and Family Services		
#20ESHNY0010003	94.006	3,060,165
Total AmeriCorps Program		<u>48,356,122</u>
U.S. Department of Health and Human Services:		
Temporary Assistance for Needy Families Cluster (TANF):		
Passed through Franklin County Department of Job and Family Services	93.558	137,343
Total Temporary Assistance for Needy Families Cluster		<u>137,343</u>
Maternal and Child Health Services Block Grants:		
Passed through Pennsylvania Department of Health:		
#4100079340	93.994	244,818
Total Maternal and Child Health Services Block Grants		<u>244,818</u>
U.S. Department of the Treasury		
COVID-19 – Coronavirus Relief Fund:		
Passed through the New Hampshire Department of Health and Human Services	21.019	442,136
Total COVID-19 – Coronavirus Relief Fund		<u>442,136</u>

**CITY YEAR, INC.**  
 Schedule of Expenditures of Federal Awards  
 Year ended June 30, 2022

<u>Federal grantor/pass-through program/program title</u>	<u>Assistance listing number</u>	<u>Federal expenditures</u>
U.S. Department of Housing and Urban Development:		
Community Development Block Grants/Entitlement Grants Cluster (CDBG):		
Passed through the City of Manchester, New Hampshire	14.218	\$ <u>120,651</u>
Total Community Development Block Grants/Entitlement Grants Cluster		<u>120,651</u>
U.S. Department of Education:		
Scholarships for Opportunity and Results:		
Direct Funding	84.370	<u>178,313</u>
Total Scholarships for Opportunity and Results		<u>178,313</u>
Total expenditures of federal awards		<u>\$ <u>49,479,383</u></u>

See accompanying independent auditors' report

**CITY YEAR, INC.**

Notes to Schedule of Expenditure of Federal Awards  
Year ended June 30, 2022

**(1) Definition of Reporting Entity**

The accompanying schedule of expenditures of federal awards presents expenditures of all federal awards programs of City Year, Inc. (City Year), whether received directly from Federal agencies or passed through other entities.

**(2) Basis of Presentation**

The accompanying schedule of expenditures of federal awards is presented using on the accrual basis of accounting and in accordance with the requirements of Uniform Guidance. City Year elected not to use the 10% de minimus indirect cost rate allowed under the Uniform Guidance.

**(3) Subrecipient Payments**

City Year did not pass through awards to subrecipients during fiscal year 2022.

**(4) Maternal and Child Health Services Block Grants (ALN 93.994): #4100079340**

- Total federal funding received during the year: \$244,818
- Accrued or deferred federal revenue at the beginning of the year: \$0
- Federal revenue recognized during the year: \$244,818
- Accrued or deferred federal revenue at the end of the year: \$0



KPMG LLP  
Two Financial Center  
60 South Street  
Boston, MA 02111

## Independent Auditors' Report on Supplementary Information

The Board of Trustees  
City Year, Inc.:

We have audited the financial statements of City Year, Inc. as of and for the year ended June 30, 2022, and have issued our report thereon dated December 23, 2022 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to December 23, 2022.

The information included in the accompanying Supplemental Schedule of Compensation, Benefits, and Other Payments to Agency Head (supplementary information) for the year ended June 30, 2022, is presented for the purposes of additional analysis, as required by the State of Louisiana regulation R.S.513(A)(3), and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the financial statements as a whole.

*KPMG LLP*

Boston, Massachusetts  
December 23, 2022

**CITY YEAR, INC.**

Supplemental Schedule of Compensation, Benefits, and Other Payments to Agency Head

Year ended June 30, 2022

Agency Head Name: Jim Balfanz, Chief Executive Officer

<b>Purpose</b>	<b>Amount</b>
Salary	\$ —
Benefits – insurance	—
Benefits – retirement	—
Benefits – other	—
Car allowance	—
Vehicle provided by government	—
Per diem	—
Reimbursements	—
Travel	—
Registration fees	—
Conference travel	—
Continuing professional education fees	—
Housing	—
Unvouchered expenses	—
Special meals	—
Other	—
Total	\$ <u>—</u>

In accordance with the State of Louisiana regulation R.S. 24:513(A)(3), this schedule represents public funds utilized for the compensation, benefits, and other payments to the Agency Head.

See accompanying independent auditors' report.



KPMG LLP  
Two Financial Center  
60 South Street  
Boston, MA 02111

## Independent Accountants' Report on Applying Agreed-Up Procedures

The Board of Trustees  
City Year, Inc.:

We have performed the procedures enumerated below on the control and compliance (C/C) areas identified in the Louisiana Legislative Auditor's (LLA's) Statewide Agreed-Up Procedures (SAUPs) for the fiscal period July 1, 2021 through June 30, 2022. City Year's management is responsible for those C/C areas identified in the SAUPs.

City Year has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of the engagement, which is to perform specified procedures on the C/C areas identified in LLA's SAUPs for the fiscal period July 1, 2021 through June 30, 2022. This report may not be suitable for any other purpose. Additionally, LLA has agreed to and acknowledged that the procedures performed are appropriate for its purposes. No other parties have agreed to or acknowledged the appropriateness of these procedures for the intended purpose or any other purpose.

The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. We make no representation regarding the appropriateness of the procedures either for the intended purpose or for any other purpose.

### Organizational Background

City Year operates in twenty-nine locations across the United States, including Baton Rouge and New Orleans, Louisiana. For the fiscal year ended June 30, 2022, City Year recorded expenses totaling approximately \$3.6 million related to the operations of these Louisiana locations which represent approximately 2.1% of City Year's total fiscal 2022 expenses. To the extent the below procedures relate specifically to City Year's Baton Rouge and/or New Orleans operations or generally to City Year's overall corporate governance, those procedures were deemed applicable, otherwise they were deemed not applicable.

The procedures and associated finding are as follows:

#### *Written Policies and Procedures*

1. Obtain and inspect the entity's written policies and procedures and observe that they address each of the following categories and subcategories (if applicable to public funds and the entity's operations):
  - a) **Budgeting**, including preparing, adopting, monitoring, and amending the budget.
  - b) **Purchasing**, including (1) how purchases are initiated; (2) how vendors are added to the vendor list; (3) the preparation and approval process of purchase requisitions and purchase orders; (4) controls to ensure compliance with the public bid law; and (5) documentation required to be maintained for all bids and price quotes.
  - c) **Disbursements**, including processing, reviewing, and approving.



- d) **Receipts/Collections**, including receiving, recording, and preparing deposits. Also, policies and procedures should include management's actions to determine the completeness of all collections for each type of revenue or agency fund additions (e.g. periodic confirmation with outside parties, reconciliation to utility billing after cutoff procedures, reconciliation of traffic ticket number sequences, agency fund forfeiture monies confirmation).
- e) **Payroll/Personnel**, including (1) payroll processing, and (2) reviewing and approving time and attendance records, including leave and overtime worked, and (3) approval process for employee(s) rate of pay or approval and maintenance of pay rate schedules.
- f) **Contracting**, including (1) types of services requiring written contracts, (2) standard terms and conditions, (3) legal review, (4) approval process, and (5) monitoring process.
- g) **Credit Cards (and debit cards, fuel cards, P-Cards, if applicable)**, including (1) how cards are to be controlled, (2) allowable business uses, (3) documentation requirements, (4) required approvers of statements, and (5) monitoring card usage (e.g., determining the reasonableness of fuel card purchases).
- h) **Travel and expense reimbursement**, including (1) allowable expenses, (2) dollar thresholds by category of expense, (3) documentation requirements, and (4) required approvers.
- i) **Ethics**, including (1) the prohibitions as defined in Louisiana Revised Statute (R.S.) 42:1111-1121, (2) actions to be taken if an ethics violation takes place, (3) system to monitor possible ethics violations, and (4) a requirement that documentation is maintained to demonstrate that all employees and officials were notified of any changes to the entity's ethics policy.
- j) **Debt Service**, including (1) debt issuance approval, (2) continuing disclosure/EMMA reporting requirements, (3) debt reserve requirements, and (4) debt service requirements.
- k) **Information Technology Disaster Recovery/Business Continuity**, including (1) identification of critical data and frequency of data backups, (2) storage of backups in a separate physical location isolated from the network, (3) periodic testing/verification that backups can be restored, (4) use of antivirus software on all systems, (5) timely application of all available system and software patches/updates, and (6) identification of personnel, processes and tools needed to recover operations after a critical event.
- l) **Sexual Harassment**, including R.S. 42:342-344 requirements for (1) agency responsibilities and prohibitions, (2) annual employee training, and (3) annual reporting.

**RESULTS:** We obtained and inspected the written policies and procedures noting each addressed the categories and subcategories except for items i) Ethics and j) Sexual Harassment, which are not applicable to nonprofit entities.

*Board or Finance Committee*

- 2. Obtain and inspect the board/finance committee minutes for the fiscal period, as well as the board's enabling legislation, charter, bylaws, or equivalent document in effect during the fiscal period, and:
  - a) Observe that the board/finance committee met with a quorum at least monthly, or on a frequency in accordance with the board's enabling legislation, charter, bylaws, or other equivalent document.



- b) For those entities reporting on the governmental accounting model, observe whether the minutes referenced or included monthly budget-to-actual comparisons on the general fund, quarterly budget-to-actual, at a minimum, on proprietary funds, and semi-annual budget-to-actual, at a minimum, on all special revenue funds. *Alternately, for those entities reporting on the non-profit accounting model, observe that the minutes referenced or included financial activity relating to public funds if those public funds comprised more than 10% of the entity's collections during the fiscal period.*
- c) For governmental entities, obtain the prior year audit report and observe the unrestricted fund balance in the general fund. If the general fund had a negative ending unrestricted fund balance in the prior year audit report, observe that the minutes for at least one meeting during the fiscal period referenced or included a formal plan to eliminate the negative unrestricted fund balance in the general fund.

**RESULTS:** We obtained and inspected City Year's articles of organization and bylaws in effect during the fiscal period. Based on those documents, an annual meeting is required and a quorum is defined as a majority. The Board of Trustees and Finance Committee met four times in fiscal 2022. We inspected the minutes of these committees which include evidence of a quorum. We noted the minutes referenced or included financial activity relating to public funds and nonbudgetary financial information during the fiscal period.

#### *Bank Reconciliations*

- 3. Obtain a listing of client bank accounts for the fiscal period from management and management's representation that the listing is complete. Ask management to identify the entity's main operating account. Select the entity's main operating account and randomly select additional accounts (or all accounts if less than 5). Randomly select one month from the fiscal period, obtain and inspect the corresponding bank statement and reconciliation for selected each account, and observe that:
  - a) Bank reconciliations include evidence that they were prepared within 2 months of the related statement closing date (e.g., initialed and dated or electronically logged);
  - b) Bank reconciliations include evidence that a member of management/board member who does not handle cash, post ledgers, or issue checks has reviewed each bank reconciliation (e.g., initialed and dated, electronically logged); and
  - c) Management has documentation reflecting that it has researched reconciling items that have been outstanding for more than 12 months from the statement closing date, if applicable.

**RESULTS:** We obtained a listing of all bank accounts maintained by City Year and a representation from management that the listing was complete. City Year does not maintain separate bank accounts for its Louisiana sites. City Year's cash accounts were subject to audit as part of its fiscal 2022 audit. No control deficiencies related to City Year's cash accounts were noted during the fiscal 2022 audit.

#### *Collections (Excluding EFTs)*

- 4. Obtain a listing of deposit sites for the fiscal period where deposits for cash/checks/money orders (cash) are prepared and management's representation that the listing is complete. Randomly select 5 deposit sites (or all deposit sites if less than 5).

**RESULTS:** City Year requires all cash collections to be processed by its corporate headquarters in Boston, Massachusetts. Accordingly, the Louisiana sites do not process any cash collections. City Year's cash collections were subject to audit as part of its fiscal 2022 audit. No control deficiencies related to City Year's cash collections were noted during the fiscal 2022 audit.



5. For each deposit site selected, obtain a listing of collection locations and management's representation that the listing is complete. Randomly select one collection location for each deposit site (i.e. 5 collection locations for 5 deposit sites), obtain and inspect written policies and procedures relating to employee job duties (if no written policies or procedures, inquire of employees about their job duties) at each collection location, and observe that job duties are properly segregated at each collection location such that:
  - a) Employees that are responsible for cash collections do not share cash drawers/registers.
  - b) Each employee responsible for collecting cash is not responsible for preparing/making bank deposits, unless another employee/official is responsible for reconciling collection documentation (e.g. pre-numbered receipts) to the deposit.
  - c) Each employee responsible for collecting cash is not responsible for posting collection entries to the general ledger or subsidiary ledgers, unless another employee/official is responsible for reconciling ledger postings to each other and to the deposit.
  - d) The employee(s) responsible for reconciling cash collections to the general ledger and/or subsidiary ledgers, by revenue source and/or agency fund additions are not responsible for collecting cash, unless another employee verifies the reconciliation.

**RESULTS:** City Year requires all cash collections to be processed by its corporate headquarters in Boston, Massachusetts. Accordingly, the Louisiana sites do not process any cash collections. City Year's cash collections were subject to audit as part of its fiscal 2022 audit. No control deficiencies related to City Year's cash collections were noted during the fiscal 2022 audit.

We obtained City Year's written policies and procedures related to collections. Based on the policies, City Year has procedures for collections which properly segregate job duties as listed above.

6. Obtain from management a copy of the bond or insurance policy for theft covering employees who have access to cash. Observe the bond or insurance policy for theft enforced during the fiscal period.

**RESULTS:** City Year requires all cash collections to be processed by its corporate headquarters in Boston, Massachusetts. Accordingly, the Louisiana sites do not process any cash collections. Based on inquiry with management, City Year maintains insurance that provides coverage in a blanket fidelity bond for all personnel handling cash, preparing or signing checks.

7. Randomly select two deposit dates for each of the 5 bank accounts selected for procedure #3 under "Bank Reconciliations" above (select the next deposit date chronologically if no deposits were made on the dates randomly selected and randomly select a deposit if multiple deposits are made on the same day). *Alternately, the practitioner may use a source document other than bank statements when selecting the deposit dates for testing, such as a cash collection log, daily revenue report, receipt book, etc.* Obtain supporting documentation for each of the 10 deposits and:
  - a) Observe that receipts are sequentially pre-numbered.
  - b) Trace sequentially pre-numbered receipts, system reports, and other related collection documentation to the deposit slip.
  - c) Trace the deposit slip total to the actual deposit per the bank statement.
  - d) Observe that the deposit was made within one business day of receipt at the collection location (within one week if the depository is more than 10 miles from the collection location or the deposit is less than \$100 and the cash is stored securely in a locked safe or drawer).



- e) Trace the actual deposit per the bank statement to the general ledger.

**RESULTS:** City Year requires all cash collections to be processed by its corporate headquarters in Boston, Massachusetts. Accordingly, the Louisiana sites do not process any cash collections. City Year's cash collections were subject to audit as part of its fiscal 2022 audit. No control deficiencies related to City Year's cash collections were noted during the fiscal 2022 audit.

*Non-Payroll Disbursements (excluding card purchases/payments, travel reimbursements, and petty cash purchases)*

- 8. Obtain a listing of locations that process payments for the fiscal period and management's representation that the listing is complete. Randomly select 5 locations (or all locations if less than 5).

**RESULTS:** City Year requires all disbursements to be processed by its corporate headquarters in Boston, Massachusetts. Accordingly, the Louisiana sites do not process any disbursements. City Year's disbursements were subject to audit as part of its fiscal 2022 audit. No control deficiencies related to City Year's disbursements were noted during the fiscal 2022 audit.

- 9. For each location selected under #8 above, obtain a listing of those employees involved with non-payroll purchasing and payment functions. Obtain written policies and procedures relating to employee job duties (if the agency has no written policies and procedures, inquire of employees about their job duties), and observe that job duties are properly segregated such that:

- a) At least two employees are involved in initiating a purchase request, approving a purchase, and placing an order/making the purchase.
- b) At least two employees are involved in processing and approving payments to vendors.
- c) The employee responsible for processing payments is prohibited from adding/modifying vendor files, unless another employee is responsible for periodically reviewing changes to vendor files.
- d) Either the employee/official responsible for signing checks mails the payment or gives the signed checks to an employee to mail who is not responsible for processing payments.

**RESULTS:** City Year requires all disbursements to be processed by its corporate headquarters in Boston, Massachusetts. Accordingly, the Louisiana sites do not process any disbursements. City Year's disbursements were subject to audit as part of its fiscal 2022 audit. No control deficiencies related to City Year's disbursements were noted during the fiscal 2022 audit.

We obtained City Year's written policies and procedures related to non-payroll disbursements. Based on the policies, City Year has procedures for purchase orders which properly segregate job duties as listed above.

- 10. For each location selected under #8 above, obtain the entity's non-payroll disbursement transaction population (excluding cards and travel reimbursements) and obtain management's representation that the population is complete. Randomly select 5 disbursements for each location, obtain supporting documentation for each transaction and:

- a) Observe that the disbursement matched the related original itemized invoice and supporting documentation indicates deliverables included on the invoice were received by the entity.
- b) Observe that the disbursement documentation included evidence (e.g., initial/date, electronic logging) of segregation of duties tested under #9, as applicable.



**RESULTS:** City Year requires all disbursements to be processed by its corporate headquarters in Boston, Massachusetts. Accordingly, the Louisiana sites do not process any disbursements. City Year’s disbursements were subject to audit as part of its fiscal 2022 audit. No control deficiencies related to City Year’s disbursements were noted during the fiscal 2022 audit.

*Credit Cards/Debit Cards/Fuel Cards/P-Cards*

11. Obtain from management a listing of all active credit cards, bank debit cards, fuel cards, and P-cards (cards) for the fiscal period, including the card numbers and the names of the persons who maintained possession of the cards. Obtain management’s representation that the listing is complete.

**RESULTS:** We obtained a listing of all the Louisiana site’s active credit cards, bank debit cards, fuel cards, and P-cards (cards), including the card numbers and the names of the persons who maintained possession of the cards. We obtained management’s representation that the listing is complete.

12. Using the listing prepared by management, randomly select 5 cards (or all cards if less than 5) that were used during the fiscal period. Randomly select one monthly statement or combined statement for each card (for a debit card, randomly select one monthly bank statement), obtain supporting documentation, and:
  - a) Observe that there is evidence that the monthly statement or combined statement and supporting documentation (e.g., original receipts for credit/debit card purchases, exception reports for excessive fuel card usage) was reviewed and approved, in writing (or electronically approved), by someone other than the authorized card holder. [Note: Requiring such approval may constrain the legal authority of certain public officials (e.g., mayor of a Lawrason Act municipality); these instances should not be reported.].
  - b) Observe that finance charges and late fees were not assessed on the selected statements

**RESULTS:** From the listing prepared by management, we selected five P-Cards. For each P-Card, we selected one monthly statement and obtained the supporting documentation. We inspected evidence that the monthly statement was reviewed and approved, in writing, by someone other than the authorized card holder. Also we noted no finance charges or late fees were assessed on the selected statements.

<u>Site</u>	<u>Last 4 of card</u>
Baton Rouge	6210
New Orleans	9440
New Orleans	8037
Baton Rouge	2009
Baton Rouge	2971

13. Using the monthly statements or combined statements selected under #12 above, *excluding fuel cards*, randomly select 10 transactions (or all transactions if less than 10) from each statement, and obtain supporting documentation for the transactions (i.e. each card should have 10 transactions subject to testing). For each transaction, observe that it is supported by (1) an original itemized receipt that identifies precisely what was purchased, (2) written documentation of the business/public purpose, and (3) documentation of the individuals participating in meals (for meal charges only). For missing receipts, the practitioner should describe the nature of the transaction and note whether management had a compensating control to address missing receipts, such as a “missing receipt statement” that is subject to increased scrutiny.



**RESULTS:** Using the monthly statements selected under #12 above, we obtained supporting documentation for 10 transactions (or all transactions if less than 10) for each of the five P-cards selected. Note for P-Cards ending 8037,2009, and 2971 there were less than 10 transaction/card. Accordingly, for those P-Cards all transactions were selected resulting in a total of 35 transactions selected. For each transaction, we noted the transaction was supported by an original itemized receipt that identified what was purchased, documentation of the business/public purpose and documentation of the individuals participating in meals. No exceptions were noted.

#	Statement date	Posted date	Description	Last 4 of card	Charge
1	7/20/2021	7/8/2021	AFP Membership Renewal	6210	\$ 335.00
2	7/20/2021	7/9/2021	Capital City Grill	6210	44.88
3	7/20/2021	7/9/2021	Online event registration	6210	35.00
4	7/20/2021	7/9/2021	Event Breakfast	6210	60.00
5	7/20/2021	7/16/2021	Missing Receipt Form: Registration for 225Gives	6210	75.00
6	7/20/2021	7/20/2021	Costco Receipt	6210	23.57
7	8/20/2021	7/26/2021	Office Depot	6210	10.87
8	8/20/2021	8/5/2021	State Police Technical Support	6210	450.18
9	8/20/2021	8/11/2021	Doordash Order	6210	21.22
10	3/20/2022	2/23/2022	The Creative Touch Embroidery	6210	149.53
11	10/20/2021	10/15/2021	Walgreens Receipt	9440	43.86
12	11/20/2021	11/3/2021	UberEats Receipt	9440	43.77
13	11/20/2021	11/5/2021	Brianna Elder Receipt	9440	33.84
14	11/20/2021	11/12/2021	Baldwin & Co Receipt	9440	15.37
15	3/20/2022	3/17/2022	Catering – Staff/CM Only Meetings	9440	8.05
16	4/20/2022	4/7/2022	Walgreens Receipt	9440	6.56
17	5/20/2022	4/28/2022	PJ'S Coffee of New Orleans	9440	9.74
18	5/20/2022	4/29/2022	Bayou Boys Moving Company	9440	426.00
19	5/20/2022	5/5/2022	Best buy- Microwave	9440	170.73
20	5/20/2022	5/6/2022	Best buy- coffee machine	9440	71.13
21	7/20/2021	7/8/2021	Canseco's Arabi Market Receipt	8037	4.91
22	7/20/2021	7/13/2021	Catering/Materials and Supplies	8037	62.57
23	7/20/2021	7/20/2021	City Year Know NOLA Tours Presentation	8037	170.00
24	8/20/2021	7/26/2021	Antoine's Famous Cakes Receipt	8037	12.75
25	8/20/2021	7/26/2021	Antoine's Famous Cakes Receipt	8037	50.00
26	7/20/2021	7/14/2021	Martherne's Market Receipt	2009	41.95
27	8/20/2021	8/5/2021	State Police Technical Support	2009	400.44
28	9/20/2021	9/16/2021	Costco Receipt	2009	116.42
29	10/20/2021	9/29/2021	Afterschool Safety Certification	2009	154.66
30	2/20/2022	1/31/2022	CPR/First Aid Certification	2971	420.00
31	2/20/2022	2/17/2022	School Partner Luncheon	2971	118.80
32	3/20/2022	2/21/2022	State Police Technical Support	2971	52.24
33	3/20/2022	2/21/2022	Materials for black history month	2971	7.88
34	3/20/2022	2/21/2022	Schlitz & Giggles Third Street Receipt	2971	378.58
35	3/20/2022	2/25/2022	Walmart Receipt	2971	15.70



*Travel and Travel-Related Expense Reimbursements (excluding card transactions)*

14. Obtain from management a listing of all travel and travel-related expense reimbursements during the fiscal period and management’s representation that the listing or general ledger is complete. Randomly select 5 reimbursements, obtain the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. For each of the 5 reimbursements selected:
- a) If reimbursed using a per diem, observe the approved reimbursement rate is no more than those rates established either by the State of Louisiana or the U.S. General Services Administration (www.gsa.gov).
  - b) If reimbursed using actual costs, observe that the reimbursement is supported by an original itemized receipt that identifies precisely what was purchased.
  - c) Observe that each reimbursement is supported by documentation of the business/public purpose (for meal charges, observe that the documentation includes the names of those individuals participating) and other documentation required by written policy (procedure #1h).
  - d) Observe that each reimbursement was reviewed and approved, in writing, by someone other than the person receiving reimbursement.

**RESULTS:** We obtained a listing of all of the Louisiana site’s travel and related expense reimbursements, by person, during the fiscal period for travel reimbursements. We obtained management’s representation that the listing or general ledger is complete. From the list, we selected five reimbursements and obtained the related expense reimbursement forms/prepaid expense documentation of each selected reimbursement, as well as the supporting documentation. We noted no reimbursements using per diem, each expense was supported by an original itemized receipt that identifies precisely what was purchased and documentation of the business/public purpose. We noted each expense and related documentation was reviewed and approved, in writing, by someone other than the person receiving reimbursement. No exceptions were noted.

Expense report	Category	Accounting date	Amount
Supplier Invoice: SINV-076747	Travel – Staff	8/11/2021	\$ 1,005.00
Expense Report: EXP-57402	Parking	3/15/2022	37.00
Expense Report: EXP-57715	Parking	4/1/2022	132.00
Expense Report: EXP-58352	Travel – Staff	5/5/2022	72.00
Supplier Invoice: SINV-083505	Parking	6/1/2022	787.50

*Contracts*

15. Obtain from management a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period. *Alternately, the practitioner may use an equivalent selection source, such as an active vendor list.* Obtain management’s representation that the listing is complete. Randomly select 5 contracts (or all contracts if less than 5) from the listing, *excluding the practitioner’s contract*, and.
- a) Observe that the contract was bid in accordance with the Louisiana Public Bid Law (e.g., solicited quotes or bids, advertised), if required by law.



- b) Observe whether the contract was approved by the governing body/board, if required by policy or law (e.g. Lawrason Act, Home Rule Charter):
- c) If the contract was amended (e.g. change order), observe that the original contract terms provided for such an amendment and that amendments are made in compliance with the contract terms (e.g., if approval is required for any amendments, was approval documented).
- d) Randomly select one payment from the fiscal period for each of the 5 contracts, obtain the supporting invoice, agree the invoice to the contract terms, and observe that the invoice and related payment agreed to the terms and conditions of the contract.

**RESULTS:** We obtained a listing of all agreements/contracts for professional services, materials and supplies, leases, and construction activities that were initiated or renewed during the fiscal period, and obtained management’s representation that the listing is complete. For fiscal year 2022, there was one contract specific to City Year’s Baton Rouge or New Orleans operation. We obtained supporting documents for one related payment and agreed the invoice to the contract’s terms, and observed the related payment agreed to the terms and conditions of the contract. No exceptions were noted.

**Contract**

SCON-00114

*Payroll and Personnel*

- 16. Obtain a listing of employees/elected officials employed during the fiscal period and management’s representation that the listing is complete. Randomly select 5 employees/officials, obtain related paid salaries and personnel files, and agree paid salaries to authorized salaries/pay rates in the personnel files.

**RESULTS:** We obtained a listing of employees from the Louisiana sites with their related salaries, and obtained management’s representation that the listing is complete. We selected 5 individuals and obtained their personnel files, and agreed paid salaries to authorized salaries/pay rates in the personnel files. No exceptions were noted.

<u>Employee ID</u>	<u>Salary</u>
XXX429	\$ 57,000.00
XXX553	52,000.00
XXX128	49,000.00
XXX806	135,000.00
XXX044	47,850.00

- 17. Randomly select one pay period during the fiscal period. For the 5 employees/officials selected under #16 above, obtain attendance records and leave documentation for the pay period, and:
  - a) Observe that all selected employees/officials documented their daily attendance and leave (e.g., vacation, sick, compensatory). (Note: Generally, an elected official is not eligible to earn leave and does not document his/her attendance and leave. However, if the elected official is earning leave according to policy and/or contract, the official should document his/her daily attendance and leave.)
  - b) Observe that supervisors approved the attendance and leave of the selected employees/officials.



- c) Observe that any leave accrued or taken during the pay period is reflected in the entity's cumulative leave records.
- d) Observe the rate paid to the employees or officials agree to the authorized salary/pay rate found within the personnel file.

**RESULTS:** Using the employees selected under #16 above, we obtained attendance and leave records for the pay period. We noted each selected employee documented their daily attendance and leave, supervisors approved the attendance and leave, any leave accrued or taken during the pay period was reflected in the entity's cumulative leave records and agreed the information to the employees personnel file. No exceptions were noted.

18. Obtain a listing of those employees/officials that received termination payments during the fiscal period and management's representation that the list is complete. Randomly select two employees or officials, obtain related documentation of the hours and pay rates used in management's termination payment calculations and the entity's policy on termination payments. Agree the hours to the employee or officials' cumulative leave records, agree the pay rates to the employee or officials' authorized pay rates in the employee or officials' personnel files, and agree the termination payment to entity policy.

**RESULTS:** We obtained management's representation that there was one terminated employee who received termination payments during the fiscal period for the Louisiana sites, and that the list is complete. For employee XXX5411, we agreed the hours to the employee's cumulative leave records, agreed the pay rate to the employee's authorized pay rate in the employee's personnel file, and agreed the termination payment to the City Year's policy. No exceptions were noted.

19. Obtain management's representation that employer and employee portions of third-party payroll related amounts (e.g., payroll taxes, retirement contributions, health insurance premiums, garnishments, workers' compensation premiums, etc.) have been paid, and any associated forms have been filed, by required deadlines.

**RESULTS:** We obtained management's representation that employer and employee portions of third-party payroll related amounts and associated forms have been filed, by required deadlines. As all payroll taxes and deductions are maintained and monitored at City Year's Headquarters, this procedure was not applicable. City Year's overall payroll process was subject to audit as part of its fiscal 2022 audit. No control deficiencies related to City Year's payroll process were noted during the fiscal 2022 audit.

#### *Ethics*

20. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain ethics documentation from management, and:
- a) Observe that the documentation demonstrates each employee/official completed one hour of ethics training during the fiscal period.
  - b) Observe whether the entity maintains documentation which demonstrates each employee and official were notified of any changes to the entity's ethics policy during the fiscal period, as applicable.

**RESULTS:** Procedure not applicable as this excludes nonprofit entities.



#### *Debt Service*

21. Obtain a listing of bonds/notes and other debt instruments issued during the fiscal period and management's representation that the listing is complete. Select all debt instruments on the listing, obtain supporting documentation, and observe that State Bond Commission approval was obtained for each debt instrument issued.

**RESULTS:** We obtained from management a list of debt instruments outstanding during the fiscal period and management's representation that the list is complete. The only outstanding debt instrument was issued in the Commonwealth of Massachusetts, therefore the Louisiana State Bond Commission approval is not applicable.

22. Obtain a listing of bonds/notes outstanding at the end of the fiscal period and management's representation that the listing is complete. Randomly select one bond/note, inspect debt covenants, obtain supporting documentation for the reserve balance and payments, and agree actual reserve balances and payments to those required by debt covenants (including contingency funds, short-lived asset funds, or other funds required by the debt covenants).

**RESULTS:** We obtained from management a list of bonds outstanding during the fiscal period and management's representation that the list is complete. We selected the one bond (Series 2013) and obtained and reviewed the debt compliance calculations. No exceptions were noted.

#### *Fraud Notice*

23. Obtain a listing of misappropriations of public funds and assets during the fiscal period and management's representation that the listing is complete. Select all misappropriations on the listing, obtain supporting documentation, and observe that the entity reported the misappropriation(s) to the legislative auditor and the district attorney of the parish in which the entity is domiciled.

**RESULTS:** We inquired of management whether City Year had any misappropriations of public funds or assets in Louisiana. Management noted there was no misappropriation of public funds or assets in Louisiana during the fiscal year.

24. Observe that the entity has posted on its premises and website, the notice required by R.S. 24:523.1 concerning the reporting of misappropriation, fraud, waste, or abuse of public funds.

**RESULTS:** We observed and noted City Year has posted on its New Orleans and Baton Rouge premises and website, the notice required by R.S. 24:523.1.

#### *Information Technology Disaster Recovery/Business Continuity*

25. Perform the following procedures, verbally discuss the results with management, and report "We performed the procedure and discussed the results with management."
  - a) Obtain and inspect the entity's most recent documentation that it has backed up its critical data (if no written documentation, inquire of personnel responsible for backing up critical data) and observe that such backup occurred within the past week. If backups are stored on a physical medium (e.g., tapes, CDs), observe evidence that backups are encrypted before being transported.
  - b) Obtain and inspect the entity's most recent documentation that it has tested/verified that its backups can be restored (if no written documentation, inquire of personnel responsible for testing/verifying backup restoration) and observe evidence that the test/verification was successfully performed within the past 3 months.



- c) Obtain a listing of the entity's computers currently in use and their related locations, and management's representation that the listing is complete. Randomly select 5 computers and observe while management demonstrates that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

**RESULTS:** City Year's computer backup processed is performed by headquarters in Boston, Massachusetts. Accordingly, the Louisiana sites do not perform backups of their own computers and critical data. City Year's information technology and cybersecurity was assessed as part of its fiscal 2022 audit. No control deficiencies related to City Year's information technology were noted during the fiscal 2022 audit.

Additionally, we obtained from management a listing of the entity's computers currently in use and their related locations. We selected 5 Louisiana site computers and observed that the selected computers have current and active antivirus software and that the operating system and accounting system software in use are currently supported by the vendor.

Serial Number/Asset Name

5CG941177W  
5CG9230NRQ  
ASSET-10151  
ASSET-10828  
ASSET-11121

*Sexual Harassment*

- 26. Using the 5 randomly selected employees/officials from procedure #16 under "Payroll and Personnel" above, obtain sexual harassment training documentation from management, and observe the documentation demonstrates each employee/official completed at least one hour of sexual harassment training during the calendar year.

**RESULTS:** This section is not applicable to nonprofit entities. In addition, City Year's agreements to receive public funds does not include sexual harassment provisions.

- 27. Observe the entity has posted its sexual harassment policy and complaint procedure on its website (or in a conspicuous location on the entity's premises if the entity does not have a website).

**RESULTS:** This section is not applicable to nonprofit entities. In addition, City Year's agreements to receive public funds does not include sexual harassment provisions.

- 28. Obtain the entity's annual sexual harassment report for the current fiscal period, observe that the report was dated on or before February 1, and observe it includes the applicable requirements of R.S. 42:344:

- a) Number and percentage of public servants in the agency who have completed the training requirements.
- b) Number of sexual harassment complaints received by the agency;
- c) Number of complaints which resulted in a finding that sexual harassment occurred;
- d) Number of complaints in which the finding of sexual harassment resulted in discipline or corrective action; and



e) Amount of time it took to resolve each complaint.

**RESULTS:** This section is not applicable to nonprofit entities. In addition, City Year's agreements to receive public funds does not include sexual harassment provisions.

\* \* \* \* \*

We were engaged by City Year to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants and in accordance with the applicable standards of *Government Auditing Standards* issued by the Comptroller General of the United States, which involves us performing the specific procedures agreed to and acknowledged above and reporting on findings based on performing those procedures. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on those C/C areas identified in the SAUPs. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of City Year and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely to describe the scope of testing performed on those C/C areas identified in the SAUPs, and the result of that testing, and not to provide an opinion on control or compliance. Accordingly, this report is not suitable for any other purpose. Under Louisiana Revised Statute 24:513, this report is distributed by the LLA as a public document.

KPMG LLP

January 30, 2023